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July 28, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following Record Requests:

From the Attorney General:

RR-AG-30

RR-AG-45

RR-AG-49 (Bulk)

RR-AG-50

From the Department:

RR-DTE-56

RR-DTE-67

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Per Ground Rules Memorandum issued June 13, 2005:

Paul E. Osborne, Assistant Director – Rates and Rev. Requirements Div. (1 copy)  
A. John Sullivan, Rates and Rev. Requirements Div. (4 copies)  
Andreas Thanos, Assistant Director, Gas Division (1 copy)  
Alexander Cochis, Assistant Attorney General (4 copies)  
Service List (1 electronic copy)

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO  
RECORD REQUESTS FROM THE ATTORNEY GENERAL  
D.T.E. 05-27

Date: July 28, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

RR-AG-30: Provide all indirect expenses associated with sales promotion expenses. For example, salaries, benefits and overheads and any other indirect expenses that should be included, if any.

Response: Table RR-AG-30 below lists the indirect sales promotion expenses included in Bay State's cost of service. Please refer to the responses provided to MOC-1-1 and MOC-1-3 for detail of the direct costs. Please note the sales promotion expense is directly related to Bay State's EP&S service businesses. The costs shown here are generally included in the \$5.7 million net profit Mr. Bryant refers to in his testimony at page 58 and which is detailed in the response to MOC-4-1.

**Table RR-AG-30**

<u>Description</u>	<u>Indirect Sales and Promotion Costs</u>		
	<u>Incurred by Bay State</u>	<u>Billed from Northern</u>	<u>Total</u>
1010 - Net Labor	\$ 185,400	\$ 532,413	\$ 717,813
20XX - Materials & Supplies	\$ 1,330	\$ 20,437	\$ 21,767
3XXX - Outside Services	\$ (1,893)	\$ 52,197	\$ 50,304
40XX - Rents/Leases	\$ 1,412	\$ 1,371	\$ 2,783
50XX - Employee Expenses	\$ 11,190	\$ 8,439	\$ 19,629
55XX - Company Memberships	\$ 2,036	\$ 5,045	\$ 7,081
60XX - Utilities	\$ 774	\$ 8,282	\$ 9,056
89XX - Misc. & Other Expenses	\$ (18,351)	\$ (55,802)	\$ (74,153)
Total	\$ 181,898	\$ 572,382	\$ 754,280
			\$ -
Overhead Costs	\$ 88,992	\$ 292,828	\$ 381,820
			\$ -
Total Including Overheads	\$ 270,890	\$ 865,210	\$ 1,136,100

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RR-AG-45: Identify the following items on all transportation bills exceeding one thousand dollars listed on Pages 7 and 8 of 13 in Attachment DTE-11-38:

- a) travel destination
- b) purpose of the travel
- c) number of employees and non-employees traveling
- d) how that travel expense benefited the Company's ratepayers.

Response: For parts (a), (b), and (c), please refer to Attachment RR-AG-45. This attachment provides the travel destination, purpose of travel and number of employees and non-employees for 18 of the 20 items. The information was gathered from the employees' expense reimbursement statements. Please note that the total amount for each item may cover multiple trips. Employees are allowed to combine trips on expense reimbursement statements.

The other two items (\$1,225.21 and \$3,450.74) were convenience billed through NiSource Corporate Services. The Company's corporate travel agent, Travel and Transport, Inc, handled these business travel expenses. The amounts represent Travel and Transport, Inc. service fees for the months of May (\$1,225.21) and April, June and July (\$3,450.74). Numerous Bay State employees utilized the travel services, and Bay State received less than 7% of the total fee.

(d) The above travel expenses benefited the Company's ratepayers in a variety of manners. For example, some of the meetings, including the Corrosion and Pipeline Integrity meeting and the Atmospheric Corrosion meeting are directly related to providing customers with safe and reliable service. Meetings, such as staff meetings, base pay meeting, training and interviews are related to maintaining qualified employees to effectively run Bay State for its customers.

<b>Ln. No.</b>	<b><u>Date</u> (1)</b>	<b><u>RR-AG-45(a) Travel Destination</u> (2)</b>	<b><u>RR-AG-45(b) Purpose of Travel</u> (3)</b>	<b><u>RR-AG-45(c) # of Employees</u> (4)</b>	<b><u>RR-AG-45(c) # of Non-Employees</u> (5)</b>
1	Sept. 2004	Ohio & Baltimore, MD	TOS (Transfer of Service) meeting and Training	1	0
2	August 2004	Columbus, OH	Fleet Team Meeting	1	0
3	Dec. 2004	Columbus, OH	Vehicle Standards Committee	1	0
4	July 2004	Registration for a course.	This item was misclassified as transportation.		
5	April 2004	Columbus, OH	Base Pay Operations Meeting	1	0
6	July 2004	Columbus, OH	Interview Applicants	1	0
7	March 2004	Pittsburgh, PA	Corrosion and Pipeline Integrity Meeting	1	0
8	March 2004	Pennsylvania	Atmospheric Corrosion Meeting	1	0
9	June 2004	OH, Springfield, MA & Portland, ME	Workforce Management System Assessment, PMW, & Meter Exchange Meeting	1	0
10	July 2004	Ohio	Workforce Management System meeting	1	0
11	Jan. 2004	Houston and Pittsburgh	OQ (Operator Qualifications), B31 (Piping Standard) Meeting and January Operations Meeting	1	0
12	March 2004	San Antonio, IN, PA, and Springfield, MA	OQ (Operator Qualification) Meeting, GM (General Managers) Meeting & Union Negotiations	1	0
13	April 2004	Columbus and Pittsburgh	OPS (Operations) Council, Sarbanes Oxley, DO (Distribution Operations) Group Meetings	1	0
14	May 2004	Merrillville, Atlanta & Pittsburgh	DO (Distribution Operations) Meetings & B31 (Piping Standard) OQ Meeting	1	0
15	June 2004	Merrillville, Pittsburgh & NYC	Senior Staff Meeting, HR Planning & SOGO Meeting	1	0
16	August 2004	Midway, Columbus & Pittsburgh	SM Project	1	0
17	Sept. 2004	Merrillville, Columbus & Pittsburgh	ASMC-OQ Speaker & Safety Committee Meeting	1	0
18	August 2004	Columbus, OH	Work Performance Team	1	0

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Responsible: John E. Skirtich, Consultant (Revenue Requirements)

**BULK RESPONSE**

RR-AG-49: Refer to AG 3-42, provide all exhibits to the purchase and sales agreement for the Westborough, MA office.

Response: Please see Attachment AG-3-42 for the exhibits to the purchase and sales agreement for the Westborough, MA office building. Attachment AG-3-42 is the complete set of the closing documents Company's counsel provided relating to the Sale and Leaseback transaction for the Westborough office building. Four of the Purchase and Sale Agreement exhibits and two of the Lease Agreement exhibits were not included in the closing documents provided by counsel. The Purchase and Sale exhibits excluded were Exhibit B - Personal Property, Exhibit C - Contracts, Exhibit - D Permits and Exhibit L - Buyer's Closing Certificate. The Lease Agreement exhibits excluded were Exhibit B - Description of Personal Property and Fixtures and Exhibit C - Permitted Encumbrances. Bay State has requested of counsel to provide copies of the excluded exhibits. Counsel is in the process of searching their archives for the requested exhibits. The Company will supplement the response if the exhibits become available.

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RESPONSE OF BAY STATE GAS COMPANY TO  
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Date: July 28, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirement)

RR-AG-50: Refer to AG-3-42, provide all exhibits to the lease agreement (in particular the basic lease information contained in the pages preceding the lease).

Response: Please see Attachment AG-3-42 for the exhibits to the Lease Agreement for the Westborough, MA office building. The basic lease information contained in the pages preceding the lease can be found in section 11 of Attachment AG-3-42. Attachment AG-3-42 is the complete set of the closing documents Company's counsel provided relating to the Sale and Leaseback transaction for the Westborough office building. Four of the Purchase and Sale Agreement exhibits and two of the Lease Agreement exhibits were not included in the closing documents provided by counsel. The Purchase and Sale exhibits excluded were Exhibit B - Personal Property, Exhibit C - Contracts, Exhibit - D Permits and Exhibit L - Buyer's Closing Certificate. The Lease Agreement exhibits excluded were Exhibit B - Description of Personal Property and Fixtures and Exhibit C - Permitted Encumbrances. Bay State has requested of counsel to provide copies of the excluded exhibits. Counsel is in the process of searching their archives for the requested exhibits. The Company will supplement the response if the exhibits become available.

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Responsible: John E. Skirtich, Consultant (Revenue Requirements)

RR-DTE-56: Referencing Exhibits BSG/JES-1, Schedule JES-6 at Page 1 and  
BSG/JES-1 Schedule JES-1, Provide another exhibit listing:

Column 1:	List O&M expense accounts and sub-accounts
Column 2:	Test-year amount for each account
Column 3:	adjustments to accounts

Also, provide second item for incentive compensation, separate and apart  
from the labor amount and medical and dental expense to the extent  
possible.

Response: See Attachment RR-DTE-56.

**Bay State Gas Company**  
**Operating & Maintenance Expense Detail**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>O&amp;M Expense</u>		<u>Adjusted</u>	<u>Reference</u>
		<u>Per Books</u>	<u>Adjustments</u>	<u>O&amp;M Expense</u>	
		<u>(1)</u>	<u>(2)</u>	<u>(3)=(1+2)</u>	<u>(4)</u>
		\$	\$	\$	
1	Payroll - Union	20,412,555	1,173,418	21,585,973	Sch. JES-6, Page 2
2	Payroll - Non Union	4,075,596	443,840	4,519,436	Sch. JES-6, Page 2
3	Incentive Compensation	858,826	(124,422)	734,404	Sch. JES-6, Page 3
4	Benefits:				
5	OPEB	2,325,888	-	2,325,888	Exhibit BSG/JES-4
6	Pensions	2,700,563	-	2,700,563	Exhibit BSG/JES-4
7	Selective Employee Retirement Plan	149,490	-	149,490	
8	Medical Insurance	3,122,606	684,618	3,807,224	Sch. JES-6, Page 4
9	Dental Insurance	295,984	56,427	352,411	Sch. JES-6, Page 4
10	Other Employee Benefits	863,795		863,795	
11	Property & Liability Insurance	2,301,379	94,997	2,396,376	Sch. JES-6, Pages 5
12	Self Insurance Claims	397,749	80,021	477,770	Sch. JES-6, Pages 6
13	Bad Debt Expense - Gas Revenue	3,199,694	7,106,032	10,305,726	Sch. JES-6, Pages 9
14	Bad Debt Expense - EP&S	412,767	246,232	658,999	Sch. JES-6, Pages 10
15	CGA Bad Debt Tracker	5,290,135	(5,290,135)	-	Sch. JES-6, Page 18
16	LDAC trackers	3,937,032	(3,937,032)	-	Sch. JES-6, Page 18
17	NiSource Corporate Services Company	24,176,988	748,122	24,925,110	Sch. JES-6, Pages 11
18	Rents and Leases	8,016,257	(2,608,947)	5,407,310	Sch. JES-6, Pages 16 & 17
19	Material & Supplies	3,917,361	67,947	3,985,308	Sch. JES-6, Page 14
20	Advertising	257,193	-	257,193	
21	Other O&M Expenses	12,295,626	162,730	12,458,356	Sch. JES-6, Pages 12 & 15
22	Farm Discounts	-	15,320	15,320	Sch. JES-6, Page 13
23	Gain on Sale of Property	-	(408,197)	(408,197)	Sch. JES-6, Pages 7
24	Rate Case Expense	-	331,700	331,700	Sch. JES-6, Page 8
25	Inflation	-	1,195,274	1,195,274	Sch. JES-6, Page 19
26	Total O&M Expense (Lns. 1 through 25)	<u>99,007,484</u>	<u>37,945</u>	<u>99,045,429</u>	Sch. JES-1, Ln. 3

Notes:

- 1/ Adjustments for Metscan and Itron Leases
- 2/ Adjustment for postage
- 3/ Adjustments for Charitable Contributions and GTI Activity



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Date: July 28, 2005

Responsible: John E. Skirtich

RR-DTE-67: Referring to schedule JES-17, page 3 of 12, provide a similar schedule using data from 1999 through 2003, for a five-year period.

Response: Attachment RR-DTE-67 calculates the Historical Bare Steel Replacement Capital Expenditures base level on Page 3 of Schedule JES-17 using a five-year average ending 2003. The five-year average is \$4,372,704 compared to the four-average of \$4,041,244

Witness: Skirtich  
 D.T.E. 05-27  
 Exh. BSG/JES -1  
 Schedule JES -17  
 Page 3 of 12

Bay State Gas Company  
 SIR Base Rate Adjustment  
 Historical Bare Steel Replacement Capital Expenditures  
 Direct Costs  
 1999 through 2003  
 ACTUAL

<u>Ln.</u> <u>No.</u>	<u>Description</u> (1)	<u>1999</u> (2) (\$)	<u>2000</u> (3) (\$)	<u>2001</u> (4) (\$)	<u>2002</u> (5) (\$)	<u>2003</u> (6) (\$)	<u>Average</u> (7) (\$)
<u>Bare Steel Replacement Costs</u>							
1	Mains	4,633,981	1,683,647	3,555,845	2,533,660	3,161,644	3,113,755
2	Services	889,007	744,544	1,324,186	1,077,621	1,186,583	1,044,388
3	Other Additions	<u>175,555</u>	<u>130,265</u>	<u>292,982</u>	<u>224,915</u>	<u>249,083</u>	<u>214,560</u>
	Total Cost	5,698,543	2,558,456	5,173,013	3,836,196	4,597,310	4,372,704